

# MOSES KOTANE LOCAL MUNICIPALITY



FINANCIAL STATEMENTS  
2007/2008

# **MOSES KOTANE LOCAL MUNICIPALITY**

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## MOSES KOTANE LOCAL MUNICIPALITY

### GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2008

#### SPEAKER

COUNCILLOR: M NONDZABA

#### MAYOR

COUNCILLOR: P. MOLELEKENG

#### MEMBERS OF THE EXECUTIVE COMMITTEE

COUNCILLOR: P L MOLELEKENG (CHAIRPERSON)

COUNCILLOR: D R TLABYANE

COUNCILLOR: V KHESWA

COUNCILLOR: P MOLOI

COUNCILLOR: M F MOKATI-THEBE

COUNCILLOR: A SETOU

COUNCILLOR: E D MOGALE

COUNCILLOR: D E MEKGWE

#### MEMBERS OF THE COUNCIL

WARD	COUNCILLOR
1	H NDLOVU
2	V L LEFOROE
3	M P MOTLHABANE
4	M F MOKATI-THEBE
5	M G RAMAPOTOKA
6	D R TLABYANE
7	S S C NTSHABELE
8	D M LEOTO
9	K MOTSHEGOE
10	L NTSAMAI
11	R MADIBELA
12	B V MOATSHE
13	T MANGANYE
14	J L MASILO
15	M R SEEMA
16	J SELOTLEGO
17	M J TSHITE
18	A M LESEYANE
19	J MEKGWE
20	L KGASOANE
21	S VAVA
22	M K KHUNOU
23	T J KAU
24	L SEBOKOANE
25	E MOSWEU
26	D MOFOLO
27	S MOGOROSI
28	L MOATE
29	T J MOENG
30	O D MAHUPELA

## MOSES KOTANE LOCAL MUNICIPALITY

### GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2008

#### MEMBERS OF THE COUNCIL: PROPORTIONAL

##### COUNCILLOR

E D MOGALE  
E MOLOTSI  
G NONG  
M MOLATUDI  
M NONDZABA  
P L MOLELEKENG  
M MONYATSI  
M SEGODI  
L NHLAPO  
P BOSIELO  
R DIALE  
V KHESWA  
A SETOU  
J MOOKANENG  
E T LEPHOTO

##### COUNCILOR

D E MEKGWE  
C MONTSHO  
M J DITIBANA  
M RASEPAE  
R MOTLHAGA  
K NTSHWAGONG  
D MODIKELA  
B R MOTSHWAEDI  
C P SEPHOTI  
P B MATHOPE  
P MOLOI  
B RAKATANE  
P M MAOTA  
J MOKAE  
G RAMORWESI

#### GRADING OF LOCAL AUTHORITY

NONE

#### AUDITOR

The Auditor General

#### BANKERS

ABSA Bank Rustenburg

#### REGISTERED OFFICE

Civic Centre  
Mogwase

Private Bag X 1011  
Mogwase  
O314

Telephone: (014) 555 1300  
Fax : (014) 555 6368  
Email : [municipalmanager@moseskotane.gov.za](mailto:municipalmanager@moseskotane.gov.za)

#### APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 40 were approved by the Municipal Manager on 31 August 2008. It will be presented to the Executive Committee and Council during September 2008.

#### MUNICIPAL MANAGER

Mr. G.J. Moatshe ( B. Com; B. Ed. )

#### CHIEF FINANCIAL OFFICER

Mr. J.T POTGIETER ( A.I.T.C.)

# MOSES KOTANE LOCAL MUNICIPALITY



## Foreword by the Mayor 2007-2008

The Council started the new financial year with a newly appointed Municipal Manager while all the positions of Section 57 Managers were filled by 30 November 2007.

For the first time since the 2006 election the Council succeeded to fill all managerial position and to populate the new Organisational Structure to a large extend.

The Integrated Development Plan was totally revised as well as Sectoral plans developed such as the Agriculture Master Plan, the Water Services Development Plan and the Spatial Development Framework.

The following table indicates major Capital Expenditure Projects during the Financial Year which was financed with MIG funds, External Loans, Internal Resources, Transfers and District Municipality funding to the amount of R 267,059 million.

### CAPITAL EXPENDITURE

Roads and stormwater	R 16,739 million
High mast- and Street lighting	R 1,337 million
Municipal Buildings	R 9.829 million
Parks and Sport Facilities	R 2,782 million
Library	R 0,184 million
Sanitation: VIP Toilets	R 0,144 million
Water provision	R 6,885 million
Land Transfers	R 226,143 million
Solid Waste Disposal Site	R 0,856 million
Machinery and Equipment	R 3,126 million
<b>Total</b>	<b>R 268,025 million</b>

The Capital expenditure shows a downtrend in comparison with the previous financial year due to delays as a result of change in senior management and vacancies in the Engineering Department, as well as the Project Management Unit. However, approval has been obtained for the roll over of MIG funds. It is anticipated that all allocations will be spend by the end of the 2008-2009 financial year as vacancies has been filled and the organisation stabilised.

A Major exercise, which took seven years, was completed when the transfer of land was finalised from National Government. All township establishment has been completed in Mogwase. The Council now owns thousands hectares of vacant land that will be made available for housing and other developmental purposes in future.

Please accept my appreciation for support from the Speaker, Chief Whip, Executive Committee members and all partime Councillors for their assistance in achieving the preset goals.

The Municipal Manager and his staff must also be commented for the hard work and dedication to achieve the preset goals.

**Clr. L.P. MOLELEKENG**  
**CHAIRPERSON OF THE EXECUTIVE COMMITTEE**

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**1. INTRODUCTION**

The Moses Kotane Local Municipality, since establishment, has been very focused on service delivery and the upliftment of the community which it serves. Various awards can confirm the commitment towards this goal but there is still the enormous challenge of improving the quality of life of all our people by delivering basic and affordable services. In the 2007/2008 financial year, the Council continued to make service delivery a priority in the Rural Areas. The program included the installation and maintenance of high mast- and streetlights, building and repairs to roads, establishing sport facilities, libraries and many other amenities.

The financial year 2007-2008 had many highlights but service delivery; especially on infrastructure was delayed due to change in management, vacancies in core departments such as the Engineering Department which lead to under spending on infrastructure to be funded by the Municipal Infrastructure Grant and External Loans. However, since the filling of vacancies by 30 November 2007, the roll out of the mentioned funds is expected to be completed by 30 June 2009.

The financial year ended with a surplus of R 1 269 644.

The Accumulated surplus decreased from R14 768 705 on 30 June 2007 to R 5 020 061 on 30 June 2008. This can mainly be attributed to the increase in provision for bad debts to the amount of R 6 270 715 and adjustments in respect of previous years to the amount of R3 477 929

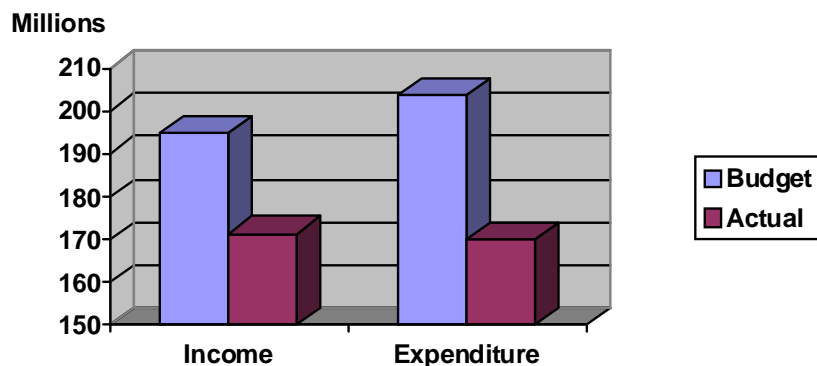
Debtors increased at a alarming rate from R 52, 2 million to R 81, 5 million. Although stricter credit control was applied, out standing debtors of National- and Provincial Departments as well as Provincial Corporations (NWDC) amounted to R 32 million on 30 June 2008. Liaison with the Department of Local Government and Housing (NW), the Office of The Premier and Provincial Treasury are in process to address this issue.

**2. REVIEW OF OPERATING RESULTS**

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. A graphical presentation of the operating results is shown in the graph below:

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**OPERATING RESULTS 2007/2008**



The overall operating results for the year ending 30 June 2008 are as follows:

Description	Budget 2007//2008 R	Actual 2007/2008 R	Variance Actual! Budget %	Actual 2006/2008 R
<b>INCOME</b>				
Operating income for the year	194 785 609	171 404 298	12,00	154 579 725
Closing deficit				
	<b>194 785 609</b>	<b>171 404 298</b>	<b>12,00</b>	<b>154 579 725</b>
<b>APPROPRIATIONS</b>				
	9 000 000		-	
	<b>203 785 609</b>	<b>171 404 298</b>	<b>15,89</b>	<b>154 579 725</b>
<b>EXPENDITURE</b>				
Operating expenditure for the year	203 699 769	170 134 654	16,48	148 381 681
Closing surplus	85 840	1 269 644		6 198 044
	<b>179 136 467</b>	<b>171 404 298</b>	<b>4,32</b>	<b>154 579 725</b>



**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

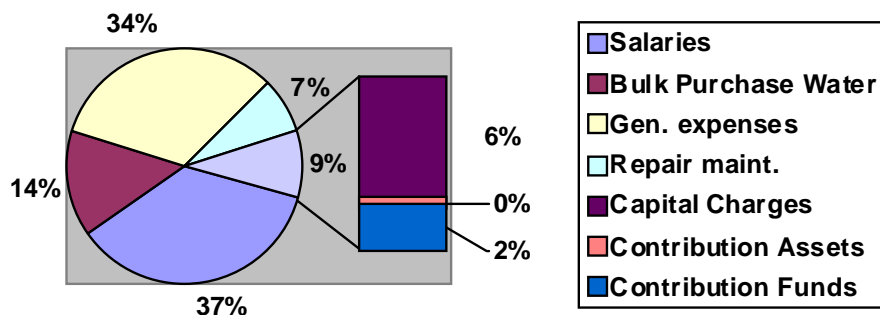
**OPERATING INCOME**

The variation in income is mainly due to the increase in equitable share from R 72,6 million to R 85,3 million as well as the provision of water which were the function of the Water Boards in the past. The variation between the budgeted income and the actual amount was due to

- i) R 10,0 million that was not received due to the delay in transferring the fire services to the Council.
- ii) R 10,1 million decrease in the sale of water.

**3. OPERATING EXPENDITURE 2007/2008**

The graph below indicates the breakdown per main expenditure group before inter departmental charges.



**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

The following shows the expenditure per grouping versus amounts budgeted:

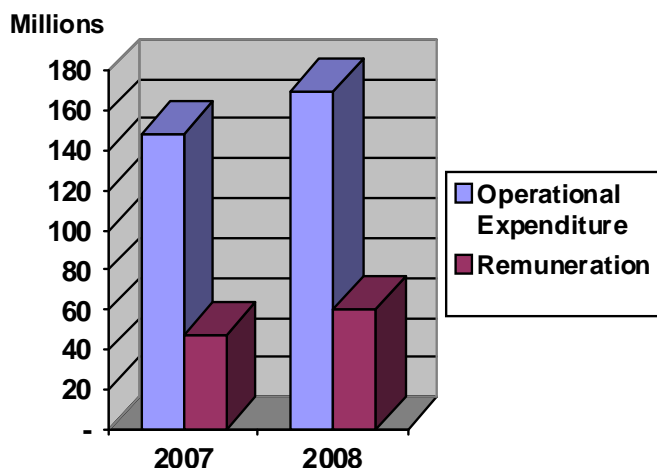
<b>Expenditure</b>	<b>Budget 2007/2008 R</b>	<b>Actual 2007/2008 R</b>	<b>Difference Actual/Budget 2007/2008 R</b>	<b>Actual 2006/2007 R</b>
Remuneration	66 828 082	60 678 757	6 149 325	47 849 531
Bulk Purchase of Water	22 629 400	24 635 277	(2 005 877)	23 268 751
General expenses	91 738 618	67 044 583	24 694 035	60 615 935
Repairs and Maintenance	13 969 902	12 648 630	1 321 272	9 758 589
Capital Charges	12 219 263	11 057 349	1 161 914	9 062 699
Contribution Fixed Assets	3 440 000	562 626	2 877 374	443 909
Contribution to Funds	3 272 831	3 905 759	(632 928)	2 034 478
Transfer to/from NDR's				0
Less: Amounts Charged out	(10 398 327)	(10 398 327)		(4 652 211)
<b>Net expenditure</b>	<b>203 699 769</b>	<b>170 134 654</b>	<b>33 565 115</b>	<b>148 381 681</b>

The variation between the budgeted amount and the actual expenditure is due to

- i) R 10, 0 million for the delay in the transferring of the fire services to the Council
- ii) R6, 1 million saving on salaries due to staff vacancies.
- iii) R2, 8 million saving on capital expenditure due to the not purchasing of vehicles for traffic as the traffic services was not implemented.
- v) R1, 1 million saving due to the delay in raising of a loan for water services.

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**3.1 REMUNERATION vs OPERATING EXPENDITURE**



The increase in remuneration expenditure from the 2006/2007 financial year to the 2007/2008 financial year is due to the filling of vacancies as well as the appointment of temporary workers to full time employees.

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 32,25% in 2006/2007 to 35,67 % in 2007/2008.

The saving on expenditure of R 6,0 million on remuneration compared to the budget can be attributed to savings realized on vacancies not filled as well as vacancies filled at a later stage during the financial year.

**3.2 GENERAL EXPENDITURE**

**SAVINGS**

The following savings mainly contributed to the variation in budgeted and actual expenditure

- |                      |               |
|----------------------|---------------|
| - Fire Services      | R10,0 million |
| - Refurbishment Cost | R 5,1 million |

Various items were overspent due to the under provision for expenditure on the budget. The following increases in expenditure contributes to the variation in actual expenditure

**MOSES KOTANE LOCAL MUNICIPALITY**  
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During the 2006/2007 and 2007/2008 financial years:

- Consultants	R 1,9 million
- Rental Office Equipment	R 0,2 million
- Subsistence and Traveling	R 0,8 million
- Telephone	R 0,3 million
- Bulk Purchase of Water	R 2,0 million
-Maintenance Water	R 0,4 million

A committee has been established to investigate the losses in water.

### **3.3 CAPITAL CHARGES**

An amount of R12 219 263 was provided for the servicing of existing external loans as well as the raising of new loans.

An application for a loan was submitted to the Development Bank of South Africa for the financing of water projects which was approved by DBSA at a very late stage and resulted in savings on capital charges.

### **3.4 REPAIR AND MAINTENANCE**

The saving on repair and maintenance is mainly due to the saving on office and other equipment.

### **3.5 CONTRIBUTIONS**

Provisions made for expenditure towards bad debts and leave liabilities were R2,4 and R1,3 million respectively.

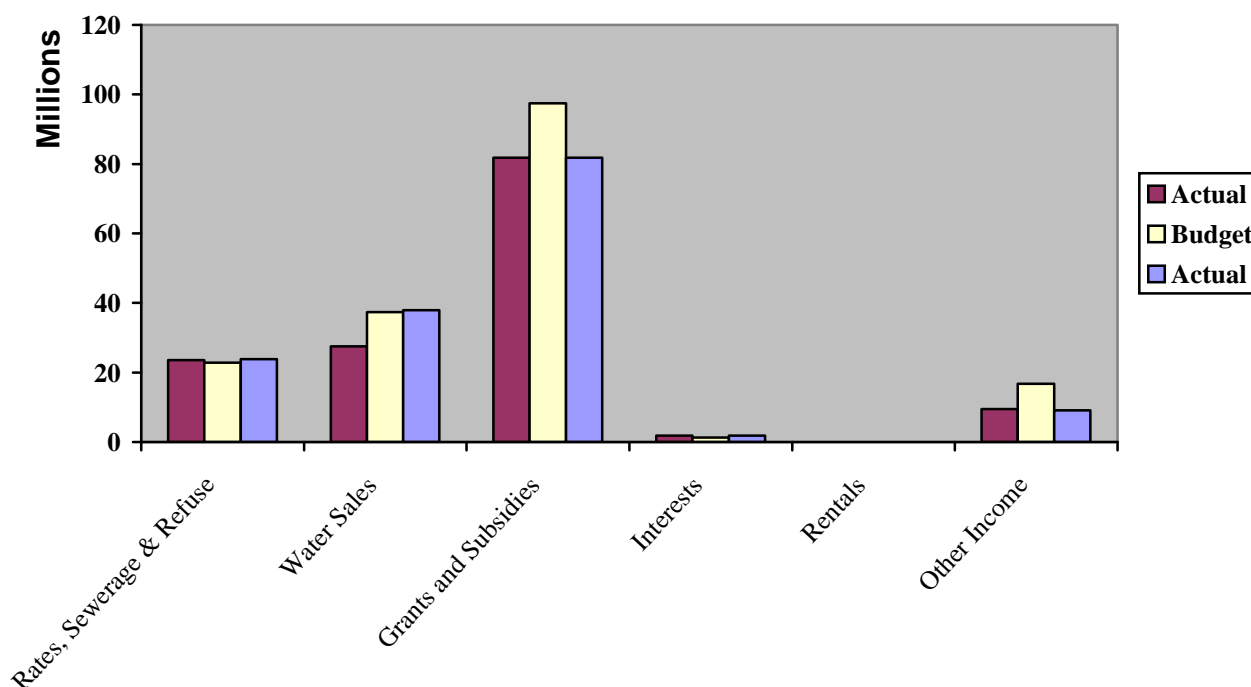
### **3.6 LESS: CHARGED OUT**

The amount charged out represents administration cost and has no influence on the total expenditure

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**4. OPERATING INCOME**

The following graph is a presentation of the different income types.



Income per income category is as follows:

INCOME	Budget 2007/2008 R'	Actual 2007/2008 R'	Variance 2007/2008		Actual 2006/2007 R'
			R'	%	
Assessment Rates, Sewerage and Refuse	24 432 394	24 927 800	(495 406)	102,02	22 680 529
	2 720 037	908 963	1 811 074	66,58	1 173 232
Water Sales	48 466 386	43 360 222	5 106 164	10,54	37 883 993
Grants and subsidies	112 682 000	97 946 137	14 735 863	13,08	81 817 700
Interests	1 200 000	1 617 174	(417 174)	134,76	1 482 374
Rentals	280 820		280 820		
Other income	5 003 972	2 644 002	2 359 970	47,16	9 541 897
<b>Totals</b>	<b>194 785 609</b>	<b>171 404 298</b>	<b>23 381 311</b>	<b>12,00</b>	<b>154 579 725</b>

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**4.1 USER LEVIED CHARGES:**

**ASSESSMENT RATES**

A valuation roll came into effect on 1 July 2002. Sun City is the main contributor to the total income on assessment rates.

**OTHER USER CHARGES**

<b>Description</b>	<b>Budget 2007/2008 R'</b>	<b>Actual 2007/2008 R'</b>	<b>Variance 2007/2008 %</b>	<b>Actual 2006/2007 R'</b>
Assessment rates	24 432 394	24 927 800	102,02	22 680 529
Water Sales	48 466 386	43 360 222	10,54	37 883 993
Sewerage charges	2 112 187	345 629	83,64	321,967
Refuse removal	607 850	563 334	7,32	851,265
<b>Totals</b>	<b>75 618 817</b>	<b>69 196 985</b>	<b>8,49</b>	<b>61 737 754</b>

**4.2 TARIFF CHARGES LEVIED:**

The assessment rates tariffs has been increased by 6%.

**4.3 GRANTS AND SUBSIDIES:**

<b>Description</b>	<b>2007/2008</b>		<b>2006/2007</b>	
	<b>Budget R'</b>	<b>Actual R'</b>	<b>Budget R'</b>	<b>Actual R'</b>
Equitable Share	85 308 000	85 307 677	72 634 000	72 634 217
National grants	16 604 000	12 638 460	18 828 000	9 183 483
Provincial grants	10 770 000		0	0
District Municipality			6 000 000	
<b>Total</b>	<b>112 682 000</b>	<b>97 946 137</b>	<b>97 462 217</b>	<b>81 817 700</b>

The variation in the actual amounts between the 2006/2007 and 2007/2008 financial years are due to the increase of the equitable share and the delay in transferring of the fire services.

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**4.4 TRADING SERVICES**

The total water services operation was transferred on 1 July 2006 and the trading results are indicated under user charges.

**5. MUNICIPAL DEBT**

At the end of the financial year the amounts borrowed and outstanding were as follow:

<b>Type of debt</b>	<b>2007/2008 R'</b>	<b>2006/2007 R'</b>
Long-term loans	62 759 201	56 444 578
<b>External funds: Total</b>	<b>62 759 201</b>	<b>56 444 578</b>

A loan to the amount of R10, 0 million was raised for the extension of the Civic Centre.

**6. ACCUMULATED FUNDS, RESERVES AND PROVISIONS**

Detail of the reserves and provisions are stated in Notes 1, 3 and 10.

<b>Description</b>	<b>2007/2008 R'</b>	<b>2006/2007 R'</b>
Provision for leave	3 691 508	2 358 580
Provision for Bad Debt	22 124 944	15 854 229
Accumulated surplus	5 020 061	14 768 705

**7. DEBTORS**

Details regarding the debtors are provided in Note 10.

The consumer debtors increased by R29, 3 million due to the reason stated in the introduction of this report.

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

The council is in the process to implement credit control measures for the recovering of outstanding debts.

<b>Description</b>	<b>2007/2008 R'</b>	<b>2006/2007 R'</b>	<b>2005/2006 R'</b>
Debits levied	69 196 985	61 443 486	19 305 896
Balance on 1 July	52 159 381	29 214 485	18 512 221
Balance on 30 June	81 511 960	52 159 381	29 214 485
<b>Average balance</b>	<b>66 835 521</b>	<b>40 686 933</b>	<b>23 863 353</b>

## **8. CAPITAL EXPENDITURE AND FINANCING**

As far as the capital expenditure is concerned, Council addressed the backlog in certain areas without neglecting the current assets. Backlogs in infrastructure were given a very high priority during the approval of the capital- and operating expenditure. In addition, the Council adhered to guidelines that National Treasury had set for capital expenditure while capital expenditure program was IDP driven. The expenditure incurred during the year in respect of fixed assets, amounted to R 268 024 529 million which includes land transfers to the amount of R 226 143 000

A major task, which took seven years, was completed when thousands of hectares of land was transferred from the National Department of Land Affairs. The formal establishment of all townships in Mogwase has now been completed and title deeds held by Grants converted in to freehold titles. The Council now owns thousands hectares of vacant land that can be made available for development purposes.

The table shows the distribution of the fixed assets according to the type of asset:

<b>Type of Asset</b>	<b>Original Budget 2007/2008 R'</b>	<b>Actual 2007/2008 R'</b>	<b>Actual 2006/2007 R'</b>
Machinery & Equip	7 456 000	3 126 600	4 025 264
Buildings	36 450 000	10 012 422	3 945 055
Infrastructure	49 087 000	21 713 465	71 729 535
Sewerage		143 757	733 841
Water	29 384 684	6 885 285	9 076 973
Land Transfer		226 143 000	
<b>Total</b>	<b>122 377 684</b>	<b>268 024 529</b>	<b>89 510 668</b>



**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
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The above-mentioned fixed assets were financed from the following sources:

<b>Type of finance</b>	<b>Budget 2007/2008 R'</b>	<b>Actual 2007/2008 R'</b>	<b>Actual 2006/2007 R'</b>
External Loans	63 384 684	8 604 628	3 481 256
Capital Reserve Fund	1 016 000	983 883	2 743 955
Grants	54 537 000	30 520 329	81 647 262
Own Revenue	3 440 000	1 772 689	1 638 195
General Capital		226 143 000	
	<b>122 377 684</b>	<b>268 024 529</b>	<b>89 510 668</b>

## **SUBSEQUENT EVENTS**

The municipality developed sports facilities in Moruleng Village during 2003/2004 while further developments took place in later financial years.

The total costs amounted to R4 174 960.

The facilities were financed with MIG and National Lottery funds.

During the asset count in 2007/2008 the assets were in place and well maintained.

After investigation by the External Auditors it was found that the land owners was building a new soccer stadium on the premises and had demolished a large portion of the sports facilities without the consent on the municipality.

The matter is under investigation and a report will soon be submitted to Council with the view to instituted a claim for compensation against the Traditional Authority.

## **9. INVESTMENTS**

External investments on 30 June 2008 amounted to R10 402 146 compared to R1 046 681 for 2006/2007.

**MOSES KOTANE LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER**  
**FOR THE YEAR ENDED 30 JUNE 2008**

<b>INVESTMENTS AS AT 30 JUNE 2008</b>	
<b>INSTITUTION</b>	<b>AMOUNT</b>
ABSA Fixed Deposit-12 Months	147 658
ABSA Call Accounts	10 254 488
<b>Total Investments</b>	<b>10 402 146</b>

#### **10. HOUSING**

The council is acting as an agent for the Northwest Province for the building of RDP houses. The property on which the houses are build belongs to the Traditional Authorities in that area and not to the council.

The houses will also be the registered in the name of the beneficiary whom is receiving a subsidy from Provincial Government.

The money received from the Northwest Province is paid into a separate bank account from where the suppliers are being paid.

#### **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, the Executive Committee, Municipal Manager, Councilors and Departmental Managers for the support they have given to the department during the 2007/2008 financial year. A special word of appreciation is extended to the team of the Budget and Treasury Office for the months of hard work, sacrifices and dedicated efforts during the financial year to enable us to finalize these financial statements. A special word of thanks to my Deputy Director for his dedication and countless days and nights spend to achieve the goals.

**J T Potgieter**  
**Chief Financial Officer**  
**Moses Kotane Local Municipality**  
**Date: 31 August 2008**

# MOSES KOTANE LOCAL MUNICIPALITY

## ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008

### 1. Basis of presentation

- 1.1. These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities ( 2nd edition 1996, as amended).
- 1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except where otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis:  
Income is accrued when measurable and available. Certain direct income is recorded when received, such as governmental grants.  
Expenditure is accrued in the year it is incurred.

### 2. Consolidation

The balance sheet includes Rates and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, which are treated as income and expenditure in the respective departments.

### 3. Fixed assets

- 3.1. Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- 3.2. Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:  
Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.  
  
Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3. All net proceeds from the sale of fixed property are credited to the Asset Financing Fund. Net proceeds from the sale of other assets are also credited to the Asset Financing Fund or to Income.
- 3.4. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest applicable at the time the advance is made.

## MOSES KOTANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008

#### **4. Inventory**

Inventory (stores and materials) is valued at the lower of cost, determined on the weighted average basis and net realisable value.

#### **5. Trust Funds**

Goat Feedlot Project

The goat feedlot project is a community based project financed by Provincial Government

Mabeskraal Library

The erection and maintenance of the Mabeskraal Library is funded by grants from the North West Province

Vuna Awards

Grant received from the Vuna Awards Consortium to be utilized by the Council as pleased.

Drought Relief

Grant received to be utilized by the council in those areas were needed.

#### **6. Reserves**

Capital Reserve Fund

Funds are set aside to finance assets from internal sources

#### **7. Provisions**

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts involved cannot be determined with substantial accuracy. Provisions are made for audit and bad debts.

#### **8. Retirement benefits**

All employees are contributing to the retirement funds of the Provincial Government.

## **MOSES KOTANE LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2008**

#### **9. Surpluses and deficits**

Any surpluses or deficits arising from the operation of services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

#### **10. Treatment of administration and other overhead expenses**

The cost of internal support services are transferred to the different services in accordance with the IMFO's Report on Accounting for Support Services.

#### **11. Investments**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in Circular 26 of 1991 issued by the Provincial Administration.

#### **12. Income recognition**

##### **12.1 Electricity and water billings**

The council is rendering only water services as from 1 July 2006.

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

##### **Assessment Rates**

Assessment rates are levied on land as well as the improvement value of a property where the property has been developed.

Differentiated tariffs are applicable depending on the use of the property.

Assessment rates are not levied on empty properties.

#### **13. Lease of fixed assets**

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable in the Income Statement.

#### **14. Sale of fixed property/stands**

The revenue generated through the sale of fixed assets must be allocated to the Land Trust Fund.

# MOSES KOTANE LOCAL MUNICIPALITY

## BALANCE SHEET AT 30 JUNE 2008

		2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
	Note		
FUNDS AND RESERVES		10 321 947	8 033 644
Statutory Funds	1	737 078	595 888
Trust Funds	2	9 584 869	7 437 756
Reserves	3	0	
ACCUMULATED SURPLUS	18	5 020 061	14 768 705
		15 342 008	22 802 349
LONG TERM LIABILITIES	5	58 627 686	52 467 897
CONSUMER DEPOSITS - SERVICES	6	0	0
		73 969 694	75 270 246
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	7	48 859 343	43 940 092
LONG TERM DEBTORS	10	361 856	361 856
		49 221 199	44 301 948
NET CURRENT ASSETS		24 748 495	30 968 298
CURRENT ASSETS		83 093 128	75 918 517
Inventory	11	2 309 776	2 023 728
Debtors	12	64 888 979	64 156 980
Short term portion of long term debtors	10	0	
Short term portion of investments	8	10 402 146	1 046 681
Cash	22	5 492 227	8 691 128
CURRENT LIABILITIES		-58 344 633	-44 950 219
Creditors	13	50 521 610	38 614 958
Loans: Short term portion	5	4 131 515	3 976 681
Cash			
Provisions	4	3 691 508	2 358 580
		73 969 694	75 270 246

**MOSES KOTANE LOCAL MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
100 551 569	93 890 609	34 393 438	RATE AND GENERAL SERVICE	116 678 245	113 369 770	3 308 475	-196 682
99 362 610	64 969 172	34 393 438	Community services	115 438 637	79 542 837	35 895 800	32 349 428
15 727	10 937 489	-10 921 762	Subsidised services	6 645	15 172 140	-15 165 495	-14 935 179
1 173 232	17 983 948	-16 810 716	Economic services	1 232 963	18 654 793	-17 421 830	-17 610 931
0	0	0	HOUSING SERVICES	0	0	0	0
54 028 156	54 491 072	-462 916	TRADING SERVICES	54 726 053	56 764 884	-2 038 831	282 522
154 579 725	148 381 681	6 198 044	TOTAL	171 404 298	170 134 654	1 269 644	85 840
		-2 921 492	Appropriations for the year (refer to note 18)			-623 714	
		6 198 044	Net SURPLUS for the year			1 269 644	
		25 226 434	Accumulated surplus at the beginning of the year			14 768 705	
		-13 734 281	After balance sheet <b>Prior year adjustments</b>			98 295 -10 492 869	
		14 768 705	ACCUMULATED SURPLUS AT THE END OF THE YEAR			5 020 061	

(Refer to appendices D and E for more detail)

# MOSES KOTANE LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		41 723 470	467 060 097
Cash generated by operations	19	4 736 406	-5 404 939
Investment income	17	1 617 174	1 482 374
(Increase) / decrease in working capital	20	12 221 533	-31 688 017
		18 575 113	-35 610 582
Less: External interest paid	17	-7 371 972	-6 018 952
Cash available from operations		11 203 141	-41 629 534
Net proceeds on disposal of assets			605 636
Cash contributions from the public and State		30 520 329	508 083 995
<b>CASH UTILIZED IN INVESTMENT ACTIVITIES</b>			
Purchase of Assets	7	-41 881 529	-517 473 785
<b>NET CASH FLOW</b>		<u>-158 059</u>	<u>-50 413 688</u>
<b>CASH EFFECTS ON FINANCING ACTIVITIES</b>			
Increase / (decrease) in long term loans	21	6 314 623	14 069 629
(Increase) / decrease in cash investments	22	-9 355 465	41 044 837
(Increase) / decrease in cash	23	3 198 901	-4 700 778
<b>NET CASH (GENERATED) / UTILIZED</b>		<u>158 059</u>	<u>50 413 688</u>



**MOSES KOTANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>1 STATUTORY FUNDS</b>		
Land Trust Fund	659 108	595 888
Bursary Fund	<u>77 970</u>	<u>595 888</u>
	737 078	
Established in terms of Section 79(18)(f) of the Local Government Ordinance 17 of 1939 for the sale of stands in Unit 5 Mogwase		
<b>2 TRUST FUNDS</b>		
Refurbishment Grant	7 796 158	4 809 544
Goat Feedlot Project	209 393	209 393
Mabeskraal Library	0	227 983
Vuna Awards	1 139 831	750 000
Drought Relieve	439 487	1 136 836
MSIG Grant	<u>0</u>	<u>304 000</u>
	9 584 869	7 437 756
<b>3 RESERVES</b>		
Capital Reserve Fund	<u>0</u>	<u>0</u>
	0	0
(Refer to appendix A for more detail)		
<b>4 PROVISIONS</b>		
Provision for Leave	3 691 508	2 358 580
<b>5 LONG TERM LIABILITIES</b>		
Annuity loans	62 759 201	56 444 578
Less: Current portion transferred to current liabilities		
Short Term Portion	-4 131 515	-3 976 681
	<u>58 627 686</u>	<u>52 467 897</u>
<p>The loan from ABSA amounts to R 6 900 000 repayable at quarterly intervals at an interest rate of 13,4% over a period of 10 years with the last payment on 30 September 2011</p> <p>The loan from INCA amounts to R 15 300 000 repayable at half yearly intervals at an interest rate of 14% over a period of 15 years with the last payment on 31 December 2017</p> <p>The loan from INCA amounts to R 605 000 repayable at half yearly intervals at an interest rate of 14,50% over a period of 5 years with the last payment on 31 December 2007</p> <p>The loan from DBSA amounts to R 15 767 612 repayable at half yearly intervals at an interest rate of 11,44 over a period of 20 years with the last payment 31 March 2024</p> <p>The loans from ABSA amounts to R 7 100 783 repayable at monthly intervals at interest rates coupled to PRIME over a period of 5 years with various final date payments</p> <p>The loan from ABSA amounts to R 1 520 000 repayable at monthly intervals at interest rate of 13,9% over a period of 20 years with the payment on 1 August 2027</p> <p>The loans from ABSA amounts to R 1 572 863 repayable at monthly intervals at interest rates coupled to PRIME over a period of 5 years with various final date payments</p> <p>The loan from INCA amounts to R 14 000 000 repayable at half yearly intervals at an interest rate of 11,40% over a period of 15 years with the last payment on 31 December 2021</p> <p>The loan from INCA amounts to R 10 000 000 repayable at half yearly intervals at an interest rate of 11,84% over a period of 20 years with the last payment on 31 December 2027</p> <p>The assessments rates payable by Sun City is ceded to DBSA and INCA</p> <p>Unspent loans amounts will be spent during the 2008/2009 financial year.</p> <p>Interest and administrative charges capitalized by ABSA R20 513</p>		
(Refer to appendix B for more detail on long-term liabilities)		
<b>6 CONSUMER DEPOSITS - SERVICES</b>		
Electricity and water	<u>0</u>	<u>0</u>

**MOSES KOTANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)**

	2008 R	2007 R
<b>7 FIXED ASSETS</b>		
Fixed assets: beginning of the year	701 564 819	184 696 670
Capital expenditure during the year	268 024 529	517 473 785
Less: Assets written off, redeemed, transferred or disposed of during the year		605 636
Total fixed assets	969 589 348	701 564 819
Less: Loans redeemed and other capital receipts	-920 730 005	-657 624 727
Net fixed assets	48 859 343	43 940 092
Capital expenditure amounting to R 268 024 529 is financed as follows:		
Grants	R 30 520 329	
External loans	R 8 604 628	
Capital Reserve Fund	R 983 883	
Income	R 1 772 689	
General Capital	R 226 143 000	
Assets of R7 652 182 are pledged as security for liabilities at ABSA ( Vehicles )		
<b>Capital Work in Progress</b>		
Development of Mogwase Unit 2	246 000	
Development of Mogwase Unit 5A	22 728	
Housing Project Unit 6	517 270	2 124 186
Development of Mogwase Unit 8	4 528 289	
The above capital projects are still in progress and will be capitalized as soon as the projects are completed or as funds are received as budgeted for.		
<b>8 INVESTMENTS</b>		
ABSA Call Account Extension of the Civic Centre	2 567 663	267 726
ABSA Call Account MIG	3 243 744	12 831
ABSA Call Account	4 435 548	629 141
ABSA Fixed Deposit - 12 Months	147 658	136 983
ABSA Call Account Housing	7 533	
	<u>10 402 146</u>	<u>1 046 681</u>
Management's valuation of unlisted investments	<u>10 402 146</u>	<u>1 046 681</u>
Circular no 25 of 1995 issued by the Provincial Administration requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.		
No investments were written off during the year.		
An amount of R107 700 of the investment at ABSA which amounts to R147 658 is ceded to Escom serving as a electricity deposit at the Civic Centre		
<b>9 MOSES KOTANE DEVELOPMENT AGENCY</b>		
The council holds a hundred percent share in the Moses Kotane Development Agency		
<b>10 LONG-TERM DEBTORS</b>		
Erven sales	361 856	361 856
Less: Short term portion transferred to current assets		
Total	<u>361 856</u>	<u>361 856</u>
Stands sold in Unit 5 Mogwase		
The period of the loans has lapsed and therefore no short term portion		

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

	2008 R	2007 R
<b>11 INVENTORY</b>		
Inventory represents consumable stores at cost	<u>2 309 776</u>	<u>2 023 728</u>
<b>12 DEBTORS</b>		
Current consumers debtors	81 511 960	52 159 381
Sundry Debtors Suspense	5 319 289	19 425 376
Plus VAT Control		8 247 424
Sundry Debtors	<u>182 674</u>	<u>179 028</u>
	87 013 923	80 011 209
Less: Provision for bad debts	<u>22 124 944</u>	<u>15 854 229</u>
	<u>64 888 979</u>	<u>64 156 980</u>
No amounts were written off as bad debts during the year ( 2007/2008 )		
Provision for bad debts has been made for debtors with outstanding balances of 90 days plus		
<b>13 CREDITORS</b>		
Trade creditors	13 711 269	16 917 014
Auditor General		
Amounts received in advance	128 634	128 634
VAT - Control	9 562 639	
Sundry Creditors Suspense	23 833 905	18 312 765
Housing	<u>3 285 163</u>	<u>3 256 545</u>
	<u>50 521 610</u>	<u>38 614 958</u>
<b>14 ASSESSMENTS RATES</b>		
Residential and Commercial	8 556 446	7 857 594
Government	3 221 676	2 535 482
Sun City	11 955 497	11 278 780
Mines	<u>1 194 180</u>	<u>1 008 670</u>
Totals	<u>24 927 799</u>	<u>22 680 526</u>

Valuations are performed every three years and the first valuation roll came into effect on 2 July 2002.

Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

Assessment rates are calculated on land as well as on improvements.

A rebate of 20% is granted to State properties

The tariff structure and valuations are set out under Statistical Information. ( Refer page 40 )

# **MOSES KOTANE LOCAL MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008 (Continued)**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>15 COUNCILOR'S REMUNERATION COST TO COMPANY</b>		
Mayor's allowance	291 955	272 915
Speaker	232 013	226 796
Executive Committee member's allowance	1 530 034	1 444 404
Chief Whip	215 765	202 041
Councilor's allowance - Part-Time	4 369 258	4 140 005
Traveling allowance	2 663 577	2 477 693
Telephone	579 000	538 836
Pension Fund Contribution	971 617	925 338
Medical Aid Contribution	380 089	221 757
	<u>11 233 308</u>	<u>10 449 785</u>
The Mayor, Speaker, Chief Whip and Exco Members are full-time.		
The Mayor and Speaker are provided with an office and a secretary at the cost of the Council.		
<b>16 AUDITOR'S REMUNERATION</b>		
Provision for Audit fees	<u>590 700</u>	<u>423 100</u>
<b>17 FINANCE TRANSACTIONS</b>		
Total external interest earned and paid		
Interest earned ( Investment income )	1 617 174	1 482 374
Capital charges charged to operating account		
Interest paid		
External	7 371 972	6 018 952
Redemption paid		
External	3 685 377	3 043 747
<b>18 APPROPRIATIONS</b>		
Appropriation account		
Accumulated surplus / (deficit): beginning of year	14 768 705	25 226 434
Operating surplus / (deficit) for the year	1 269 644	6 198 044
	98 295	
Appropriations for the year	-623 714	-2 921 492
Contribution to Leave Reserve		
Provision for bad debts		
Prior year adjustments	-10 492 869	-13 734 281
Accumulated surplus / (deficit): end of year	<u>5 020 061</u>	<u>14 768 705</u>
<b>APPROPRIATIONS</b>		
Major adjustments in respect of prior year adjustments are listed below		
Provision made for Creditors 0506 expenditure did not realise		-1 039 623.00
Reversal billing on Bakubung Lodge Agreement Council Resolution		3 040 636.00
Plan Associates Town Planning		211 273.00
Assets 2004/2005 Financial Year		243 000.00
VAT MaxProf	4 124 423.00	256 973.00
Back Pay Councillors Allowances		1 000 055.00
Holm Jordaan Planning Fees		91 740.00
Provision for accumulated leave		898 558.00
Contribution to capital reserve fund	983 883.00	2 921 492.00
Provision for Bad Debts	-3 324 104.00	8 869 686.00
Back Pay Salary of an official	194 396.00	
TEDCOR payment of outstanding account	716 005.00	
Rain prayer ceremony	49 200.00	
Payment Jaz for Africa	132 792.00	
Auditor-General account	303 244.91	
VAT not approved by SARS previous financial year	4 311 254.12	

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

	2008 R	2007 R
<b>19 CASH GENERATED BY OPERATIONS</b>		
Surplus / (deficit) for the year	1 269 644	6 198 044
Adjustments in respect of previous years' operating	-10 492 869	-13 734 281
Appropriations charged against income:		
Appropriations	-623 714	-2 921 492
After balance sheet transaction	98 295	
Fixed assets from provisions and reserves	360 169	
Fixed assets from operating income	1 772 689	1 638 196
Fixed assets from reserves	623 714	2 743 956
Capital charges		
Interest paid		
on external loans capitalized		
on external loans	7 371 972	6 018 952
Redemption		
of internal advances		
of external loans	3 685 377	3 043 747
Investment income operating	-1 617 174	-1 482 374
Investment income ( Interest received ) non operating	279	229
Non operating expenditure	-10 443 880	-14 707 234
Non operating income	12 731 904	8 402 954
Credited to provisions and reserves		-605 636
Net proceeds on disposal of assets	<u>4 736 406</u>	<u>-5 404 939</u>
<b>20 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in stock	-286 048	-1 928 669
(Increase) / decrease in debtors	-731 999	-30 954 409
Increase / (decrease) in creditors	13 239 580	1 195 061
Increase / (decrease) in creditors - Short Term	<u>12 221 533</u>	<u>-31 688 017</u>
<b>21 INCREASE / (DECREASE) IN LONG TERM LOANS (EXTERNAL)</b>		
Loans raised	10 000 000	17 092 863
Administration cost Capitalized		20 513
Short Term Portion		
Loans repaid	<u>-3 685 377</u>	<u>-3 043 747</u>
	<u>6 314 623</u>	<u>14 069 629</u>
<b>22 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments made		
Investments realized	<u>-9 355 465</u>	<u>41 044 837</u>
	<u>-9 355 465</u>	<u>41 044 837</u>

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

	2008 R	2007 R
<b>23 (INCREASE) / DECREASE IN CASH ON HAND</b>		
Cash balance: beginning of the year	-8 691 128	3 990 350
Cash balance: beginning of the year : Petty Cash		
Less balance at end of year	3 000	
Councils General Account	4 277 800	-6 088 112
Libraries	92 182	-93 404
LED	50 421	-52 659
Housing	1 047 791	-2 456 953
Traffic	21 033	
Balance Cash on hand	5 492 227	-8 691 128
	<u>-3 198 901</u>	<u>-4 700 778</u>
<b>24 RETIREMENT BENEFITS</b>		
Personnel are members of the Provincial Pension Fund or Retirement Fund.		
<b>25 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
See note 30 under Subsection 125(1)(c) on page 32 for full details		
<b>26 CAPITAL COMMITMENTS FOR THE UPCOMING FINANCIAL YEAR</b>		
Commitments in respect of capital expenditure		
Approved and contracted for	56 636 476	
Approved but not yet contracted for	107 030 759	
	<u>163 667 235</u>	<u>224 659 896</u>
This expenditure will be financed from		
External loans	R 51 045 000	51 045 000
Grants and subsidies	R 110 577 235	110 577 235
Operating Income	R 2 045 000	2 045 000
Asset Financing Fund		1 016 000
	<u>163 667 235</u>	<u>224 659 896</u>

An amount of R 166 259 230 has been provided for Low Cost Housing Projects which will be financed through grants from North West Provincial Government

### 27 SUBSEQUENT EVENTS

The municipality developed sports facilities in Moruleng Village during 2003/2004 while further developments took place in later financial years.  
The total cost amounted to R4 174 960.  
The facilities were financed with MIG and National Lottery funds.  
During the asset count in 2007/2008 the assets were in place and well maintained.  
After a investigation by the external auditors it was found that the land owners was building a new soccer stadium on the premises and had demolished a large portion of the sports facilities without the consent of the municipality.  
The matter is under investigation and a report will soon be submitted to Council with the view to instituted a claim for compensation against the Traditional Authority.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

#### 28 DISCLOSURES IN TERMS OF SEC. 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

**Subsection 123(1)(a): Allocations received by the municipality from -**

**(i) an organ of state in the national or provincial sphere of government;**

- 1 Finance Management Grant - R 250 000
- 2 National Treasury- Municipal Systems Improvement Grant-R 734 000

**Subsection 123(1)(b): Allocations made by the municipality to a municipal entity or another municipality or any other organ of state;**

Moses Kotane Development Agency R 1 200 000.00

**Subsection 123(1)(c): How any allocations referred to in (a) were spent, per vote, excluding allocations received as equitable share or otherwise prescribed by the allocation;**

- |                                      |                                 |
|--------------------------------------|---------------------------------|
| 1 Finance Management Grant R 250 00  | System Development              |
| 2 National Treasury- MSIG- R 734 000 | Valuation Roll, Ward Committees |
|                                      | IDP, LED and AFS                |

**Subsection 123(1)(d): Compliance with conditions in subsection 214(1)(c) of the Constitution and any allocations by organs of state other than by national organs of state;**

Yes.

**Subsection 123(1)(e): Reasons for the non compliance with paragraph (d);**

N/A.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

**Subsection 123(1)(f): Whether funds to the municipality i.t.o. the Division of Revenue Act were delayed or withheld and the reasons given;**

No.

#### **29 DISCLOSURES IN TERMS OF SEC. 124 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Subsection 124(1)(a): Particulars of the salaries, allowances and benefits of political office bearers and councilors of the municipality and whether they are within the upper limits of the framework in section 219 of the Constitution;**

Disclosed in Note 12. Councilors are remunerated within the upper limits of the framework as a grade 3 municipality i.t.o. the Public Office Bearers Act.

**Subsection 124(1)(b): Arrears owed by individual councilors for rates or services which were outstanding for more than 90 days including the names of those councilors;**

Clr. M Nonzaba	R 1644.10
Clr. J Mokaë/Maretele	R 1267.36
Clr. K Motshegwa	R 1095.30
Clr. K Mookaneng	R 2386.74
Clr. G Ramorwesi	R 892.50
Clr. R Seema	R 826.25
Clr. L Tshite	R 862.43

**Subsection 124(1)(c): Salaries, allowances and benefits of the municipal manager, chief financial officer and senior managers;**

Municipal Manager: Total cost to employer - R 776 935

Section 57 Managers: Chief Financial Officer and Chief Director Engineering Services R 702 438

Directors : R 623 682

The remuneration packages of the Municipal Manager and Section 57 Managers includes performance bonuses in terms of the national performance regulations.

#### **30 DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;**

The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006.  
The Council holds all the shares in the company.



## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

**Subsection 125(1)(b): The total amount of contributions to organised local government for the financial year and the amount outstanding at the end of the financial year;**

Amount paid to SALGA North West - R 121 734

No amounts are outstanding as at the end of the financial year.

**Subsection 125(1)(c): The total amount paid in audit fees, taxes, levies, duties, pension and medical aid contributions, and any outstanding amounts at the end of the financial year;**

Audit fees - R 721 341

Skills development levy - R 379 485

Pension fund contribution - R 6 595 852

Medical aid contribution - R 2 303 462

Contribution to Workman's compensation - R 527 603

UIF contribution - R 303 116

**Subsection 125(2)(a): Every bank account held by the municipality at which bank, the type of account, the year opening and the year end balances in each of these accounts;**

- 1 ABSA current account (Library), opening balance R93 404, closing balance R 92 182
- 2 ABSA current account (LED), opening balance R 52 659, closing balance R 50 421
- 3 ABSA current account (Housing), opening balance R 2 456 953, closing balance R 1 047 791
- 4 ABSA current account (Traffic), opening balance R0.00 closing balance R 21 033.
- 5 ABSA current account (Operating), opening balance R 7 529 637, closing balance R 6 045 852.

**Subsection 125(2)(b): Summary of all investments at end of the financial year;**

- 1 ABSA Call account, Opening balance 01/07/2007 - R 629 141  
Closing balance 30/06/2008 - R 4 435 547.
- 2 ABSA Call account, Opening balance 01/07/2007 - R 0.00,  
Closing balance 30/06/2008 - R 7 533
- 3 ABSA 12 months account, Opening balance 01/07/2007 - R 136 983,  
Closing balance 30/06/2008 - R 147 658.
- 4 ABSA Call account, Opening balance 01/07/2007 - R 267 726,  
Closing balance 30/06/2008 - R 2 567 664.
- 5 ABSA Call account, Opening balance 01/07/2007 - R 12 831,  
Closing balance 30/06/2008 - R 3 243 744.

\* Also see note 8.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008(continued)

**Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;**

#### **Claims against the Municipality**

**1 NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE**

Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates.

This matter could not be resolved and was submitted to Provincial Treasury in terms of section 44 of the MFMA.

From a legal point of view this claim have prescribed in law.

#### **Claims on behalf of the Municipality**

**1 CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC**

The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2008, excluding interest, is R 6 619 442.

It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the managing director of NWDC and advising that the matter would have to be reported to National Treasury and request the latter to mediate between the parties in terms of sec. 44 of the MFMA,2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due. This matter has now been referred to Provincial Treasury in terms of Section 44 of the MFMA

The parties entered in to mediation with Mr. Len Dekker as mediator. This will be finalised as soon the mediator is available in August 2008.

**2 NATIONAL- AND PROVINCIAL DEPARTMENTS-**The outstanding property rates and service charges for all departments amounts to R 25 174 206.

The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.

One payment of just over R 4 million was received in the financial year.

The Department of Local Government and the Office of the Premier has now been engaged the resolved the matter.

**3 CLAIM FOR PAYMENT OF ADVERTISING FEES; MUNICIPALITY/ OASIS INNOVATIONS**

Oasys Innivation entered into a advertising agreement with the municipality and outstanding adverising fees amounts to R 1 072 685. Summons has been issued and a Court date in the High Court is awaited.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

**Subsection 125(2)(d): Particulars of any material losses or wasteful expenditures, unauthorised expenditure during the financial year and whether it is recoverable. Criminal or disciplinary steps taken and recovered losses or write offs must be included;**

Criminal steps taken:- An estimated amount of R 99 700 was lost at the Madikwe offices of the municipality. The official involved was charged but she resigned before the disciplinary investigation could take place. The matter was reported to the SAPS, case nr. 83/05/2005 (Madikwe Police Station). The Court has been requested to rule that the loss be recovered from the ex-official's pension fund. A Court order has been obtained to recover the amount from the pension fund.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

**Subsection 125(2)(e): Particulars of any non compliance with the Municipal Finance Management Act, 2004;**

Vehicles to the amount of R 778 230 were purchased without the invitation of tenders in terms of Chapter 11 of the MFMA. Disciplinary steps was taken against two officials of Council. The one official left service before finalisation of the procedures while the second was found guilty and dismissed.  
The Council suffered no material losses in this regard.

**Subsection 125(2)(f): Any other matters that may be prescribed;**

None.

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX A

### STATUTORY FUNDS, TRUST FUNDS AND RESERVES

FOR THE YEAR ENDED 30 JUNE 2008

	Contributions			Other income	Expenditure	Balance at 30/06/2008
	Balance at 30/06/2007	during the year	Interest on investments		during the year	
	R	R	R	R	R	R
<b>STATUTORY FUNDS</b>						
Land Trust Fund	595 888			63 220		659 108
Bursary Fund				77 970		77 970
	595 888			141 190		737 078
<b>TRUST FUNDS</b>						
Refurbishment Grant	4 809 544			11 217 000	8 230 386	7 796 158
Goat Feedlot Project	209 393					209 393
Mabeskraal Library	227 983		279		228 262	0
Vuna Awards	750 000			750 000	360 169	1 139 831
Drought Relieve	1 136 836				697 349	439 487
MSIG Grant	304 000				304 000	0
	7 437 756	0	279	11 967 000	9 820 166	9 584 869
<b>RESERVES</b>						
Capital Maintenance Fund						0
Capital Reserve Fund	0			623 714	623 714	0
	0	0	0	623 714	623 714	0
<b>Total</b>	<b>8 033 644</b>	<b>0</b>	<b>279</b>	<b>12 731 904</b>	<b>10 443 880</b>	<b>10 321 947</b>

Note: A Land Trust Fund has been established in terms of Section 79(18)(f) of the Local Government Ordinance 17 of 1939

**MOSES KOTANE LOCAL MUNICIPALITY****APPENDIX B****EXTERNAL LOANS AND INTERNAL ADVANCES****FOR THE YEAR ENDED 30 JUNE 2008**

	Balance at 30/06/07	Received during the year	Interest Capitalized	Redeemed or written off during the year	Balance at 30/06/2008
EXTERNAL LOANS	R	R		R	R
Annuity loans	56 444 578	10 000 000		3 685 377	62 759 201
	56 444 578	10 000 000	0	3 685 377	62 759 201

(Refer to note 5)

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX C

### ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008

Expenditure 2007 R	SERVICE	Budget 2007/08 R	Balance at 30/06/07 R	Expenditure 2007/08 R	Written off, transferred, redeemed or disposed of during year R	Balance at 30/06/08 R
80 433 695	RATE AND GENERAL SERVICES	92 514 000	252 709 769	260 502 547	-	513 212 316
69 389 546	COMMUNITY SERVICES	50 557 000	202 804 227	20 134 938	-	222 939 165
1 134 433	Council General Expenses	3 120 000	22 972 021	542 877		23 514 898
67 876 254	Public Works	44 087 000	177 250 555	18 997 127		196 247 682
18 380	Municipal Manager		650 263			650 263
196 350	Technical Services	1 020 000	1 007 223	336 473		1 343 696
	Traffic	2 100 000				
164 129	Budget and Treasury Office	230 000	924 165	258 461		1 182 626
10 310 308	SUBSIDISED SERVICES	41 957 000	48 857 858	239 511 367	-	288 369 225
563 643	Library	2 000	3 154 422	183 795	-	3 338 217
4 960 389	Municipal buildings	36 450 000	28 164 566	9 984 877	-	38 149 443
146 792	Cemeteries		3 911 113		-	3 911 113
	Municipal Land			226 143 000		226 143 000
4 639 484	Parks and recreation	5 505 000	13 627 757	3 199 695	-	16 827 452
733 841	ECONOMIC SERVICES	-	1 047 684	856 242	-	1 903 926
-	Refuse		-	856 242	-	856 242
-	Housing			-	-	-
733 841	Sewerage		1 047 684		-	1 047 684
437 040 090	TRADING SERVICES	29 863 684	448 855 050	7 521 982	-	456 377 032
-			-	-	-	-
437 040 090	Water service	29 863 684	448 855 050	7 521 982	-	456 377 032
517 473 785	TOTAL FIXED ASSETS	122 377 684	701 564 819	268 024 529	-	969 589 348
515 509 894	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		657 624 727	263 105 278	-	920 730 005
3 043 747	Loans redeemed and advances repaid		8 958 340	3 685 377		12 643 717
1 638 196	Contributions from operating income		11 802 376	1 772 689		13 575 065
508 083 995	Grants and subsidies		624 649 339	30 520 329		655 169 668
	General Capital			226 143 000		226 143 000
2 743 956	Reserves		12 214 672	983 883		13 198 555
1 963 891	NETT FIXED ASSETS		43 940 092	4 919 251	-	48 859 343

<b>MOSES KOTANE LOCAL MUNICIPALITY</b> <b>APPENDIX D</b> <b>ANALYSIS OF OPERATING INCOME AND EXPENDITURE</b> <b>FOR THE YEAR ENDED 30 JUNE 2008</b>				
Actual 2007			Actual 2008	Budget 2008
R			R	R
		<b>INCOME</b>		
81 817 700		Government and Provincial grants and Subsidies	97 946 137	112 682 000
		Income from tariffs:		
22 680 529		Assessment rates	24 927 800	24 432 394
851 265		Refuse	563 334	607 850
321 967		Sewerage	345 629	2 112 187
37 883 993		Sale of Water	43 360 222	48 466 386
11 024 271		Other Income	4 261 176	6 484 792
154 579 725		Total Income	171 404 298	194 785 609
0		Transfer from appropriations	0	9 000 000
154 579 725		Total	171 404 298	203 785 609
		<b>EXPENDITURE</b>		
47 849 531		Salaries, wages and allowances	60 678 757	66 828 082
23 268 751		Bulk Purchase of water	24 635 277	22 629 400
60 615 935		General expenses	67 044 583	91 738 618
9 758 589		Repairs and maintenance	12 648 630	13 969 902
9 062 699		Capital charges	11 057 349	12 219 263
443 909		Contributions to fixed assets	562 626	3 440 000
2 034 478		Contribution to funds	3 905 759	3 272 831
0		Depreciation	0	29 324 316
153 033 892		Gross expenditure	180 532 981	243 422 412
4 652 211		Less: Amounts charged out	10 398 327	-10 398 327
		Transfers to/from NDR's		-29 324 316
148 381 681		Net expenditure	170 134 654	203 699 769



MOSES KOTANE LOCAL MUNICIPALITY							
APPENDIX E							
DETAILED INCOME STATEMENT FOR THE YEAR							
ENDED 30 JUNE 2008							
2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
100 551 569	93 890 609	6 660 960	RATE AND GENERAL SERVICE	116 678 245	113 369 770	3 308 475	-196 682
99 362 610	64 969 172	34 393 438	COMMUNITY SERVICES	115 438 637	79 542 837	35 895 800	32 349 428
14 296	25 316 583	-25 302 287	Council's general expenses		31 069 265	-31 069 265	-24 063 001
	2 558 597	-2 558 597	Office of the Mayor		2 714 058	-2 714 058	-3 377 917
	425 576	-425 576	Office of the Speaker		1 302 176	-1 302 176	-1 937 612
	761 233	-761 233	Municipal Manager		436 223	-436 223	-242 306
	5 465 421	-5 465 421	Corporate Services		6 303 508	-6 303 508	-5 827 515
	5 314 535	-5 314 535	Strategic Management		2 957 508	-2 957 508	-4 735 028
	1 621 392	-1 621 392	Housing and LED		4 448 900	-4 448 900	-6 884 153
99 321 751	4 409 169	94 912 582	Budget and Treasury Office	113 681 270	5 723 718	107 957 552	106 410 147
	1 001 928	-1 001 928	Community Services		1 779 675	-1 779 675	-1 235 541
18 824	598 485	-579 661	Libraries	226 762	238 356	-11 594	-799 633
	212 012	-212 012	Traffic	952 811	782 766	170 045	100 000
	2 267 287	-2 267 287	Security		4 573 282	-4 573 282	-4 881 585
	4 354 810	-4 354 810	Transport Services		5 654 831	-5 654 831	-6 582 821
7 739	1 396 355	-1 388 616	Infrastructure	98 960	625 601	-526 641	-2 012 760
	2 904 343	-2 904 343	Project Management Unit	478 834	477 267	1 567	0
	6 361 446	-6 361 446	Streetlighting		3 105 308	-3 105 308	-3 417 206
			Roads and Storm water		7 350 395	-7 350 395	-8 163 641
15 727	10 937 489	-10 921 762	SUBSIDISED SERVICES	6 645	15 172 140	-15 165 495	-14 935 179
8 722	275 346	-266 624	Cemetery	6 645	201 281	-194 636	-578 053
7 005	6 767 177	-6 760 172	Municipal buildings		9 155 102	-9 155 102	-8 571 999
	3 894 966	-3 894 966	Parks and recreation		5 815 757	-5 815 757	-5 785 127
1 173 232	17 983 948	-16 810 716	ECONOMIC SERVICES	1 232 963	18 654 793	-17 421 830	-17 610 931
321 967	2 676 855	-2 354 888	Sewerage	345 629	2 259 757	-1 914 128	-1 858 401
851 265	15 307 093	-14 455 828	Refuse Removal	887 334	16 395 036	-15 507 702	-15 752 530
54 028 156	54 491 072	-462 916	TRADING SERVICES	54 726 053	56 764 884	-2 038 831	282 522
54 028 156	54 491 072	-462 916	Electricity service	54 726 053	56 764 884	-2 038 831	282 522
			Water service				
154 579 725	148 381 681	6 198 044	TOTAL	171 404 298	170 134 654	1 269 644	85 840
		-2 921 492	Appropriations for the year (Refer to note 18)			-623 714	
		6 198 044	Net SURPLUS for the year			1 269 644	
		25 226 434	Accumulated surplus at the beginning of the year			14 768 705	
		-13 734 281	Prior year adjustments			98 295	
		14 768 705	ACCUMULATED SURPLUS AT THE END OF THE YEAR			-10 492 869	
						5 020 061	

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX F

### STATISTICAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2008

General statistics		2007/2008	2006/2007
Population		236 845	236 845
Registered voters		116 000	116 000
Valuation date: 2 January 2002 with effect from 1 July 2002			
Total valuations	Land	407 351 300	407 351 300
	Improvements	1 808 731 200	1 808 731 200
	Improved	<b>2 216 082 500</b>	<b>2 216 082 500</b>
Provisional Supplementary	Land	47 625 900	47 625 900
Valuation Roll	Improvements	171 300 000	171 300 000
	Improved	<b>218 925 900</b>	<b>218 925 900</b>
Assessment rates			
Calculated on land and improvements where the property has been developed			
	Residential per rand	0.012 & 0.0034	0.011 & 0.0032
	Commercial	0.09 & 0.032	0.085 & 0.03
	Other properties and right in land	0.1173 & 0.0689	0.1107 & 0.065
	Sun City	0.10 6& 0.0244846	0.10 & 0.0230987
	Government properties and Tertiary Institutions	0.1173 & 0.0689	0.1107 & 0.065
		Less 20 %	Less 20 %
Number of properties			
	Residential Formal	3 242	3 242
	Commercial Formal	88	88
	Churches Formal	36	36
Service charges: (Per site)			
<b>Refuse Removal</b>			
	Residential Madikwe	14.05 plus VAT	13.25 plus VAT
	Commercial Madikwe	28.10 plus VAT	26.50 plus VAT
	Residential Mogwase	14.05 plus VAT	13.25 plus VAT
	Commercial Mogwase	28.10 plus VAT	26.50 plus VAT
<b>Sewerage</b>			
	Residential Madikwe	14.05 plus VAT	13.25 plus VAT
	Commercial Madikwe	28.10 plus VAT	26.50 plus VAT
	Residential Mogwase	4.50 plus VAT	4.24 plus VAT
	Commercial Mogwase	28.10 plus VAT	26.50 plus VAT
<b>Water</b>			
	Residential	0 to 6kl Free of Charge	0 to 6kl Free of Charge
		6.1 to 45 kl R6.76	6.1 to 45 kl R6.50
		45.1kl and above R7.78	5.1kl and above R7.48
	Small Business and State Department	0 to 45kl R6.76	0 to 45kl R6.50
		45.1kl and above R8.11	5.1kl and above R7.80
	Bulk Consumers	R5.10 per kl	R4.90 per kl
	Industrial and large consumers	R6.97 per kl	R6.70 per kl
All water tariffs are excluding VAT			
<b>Water Statistics</b>			
	Number of users	20 647	20 647
	Kl Purchased	12 045 839	12 098 550
	Kl Sold	6 819 409	6 665 443
	Free basic Kl	1 486 584	1 486 584
	Kl Lost in distribution	3 739 846	3 946 523
	Percentage lost in distribution	31,05	32,6
	Cost per kl bought	2.600	1.888
	Loss in distribution	9 723 599	7 451 035
	Cost per kl sold	14.96	14.96
	Income per kl sold	5.61	5.68
	Number of employees	324	324
	Number of councilors	60	60